

## Message Text

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ACTION SS-25

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EO 11652: GDS

TAGS: EINV, EIND, EMIN, PFOR, PE

SUBJ: MARCONA - COMPANY OFFICIAL EXPRESSES CONCERN OVER  
USG STRATEGY, SUGGESTS COMPANY MAY CONSIDER PUBLICITY  
CAMPAIGN AGAINST PERU

FOR ARA - ALFRED FISHLOW FROM AMBASSADOR

1. FOLLOWING YOUR DEPARTURE FROM LIMA AIRPORT FRIDAY NIGHT, JAMES COMPTON (WHO DEPARTED LIMA ONE HOUR LATER FOR SAN FRANCISCO) TOOK EMBOFF ASIDE TO EXPRESS HIS PERSONAL CONCERN OVER STATUS OF NEGOTIATIONS. IN HIS VIEW, COMPTON SIAD THAT USG TEAM HAS ADOPTED INCORRECT STRATEGY IN NOT OPTING FOR \$100 MILLION FIGURE AS A MINIMUM BUT INSTEAD HAD ALLOWED ITSELF TO BE BOXED IN BY PERUVIANS, SO THA USG PRESENTATION BASICALLY FIT WITHIN PERUVIAN FRAMEWORK. HE EXPRESSED TO EMBOFF HIS PERSONAL DISAPPOINTMENT THAT USG HAS BEEN WILLING TO DISCUSS FIGURES SUBSTANTIALLY BELOW MARCONA'S \$100 MILLION AND THAT OUR PRESENTATION HAD IN EFFECT STRAYED AWAY FROM GOING-CONCERN VALUE TO BOOK VALUE. HE SAID HE WAS UPSET BY FOURTH TRACK PRESENTATION WHICH GAVE MARCONA AN INDICATION OF WHAT USG TEAM WILL REALLY BE WORKING TOWARD IN FINDING AN ULTIMATE FIGURE.

2. COMPTON SAID THAT, OF COURSE, MARCONA WOULD BE WILLING TO ACCEPT SUBSTANTIALLY LESS THAN \$100 MILLION IF SUCH A SETTLEMENT IS TIED TO SHIPPING AND SALES CONTRACTS. NOTWITHSTANDING THE GOP

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REJECTION OF BOTH THE ESCROW ACCOUNT AND SHIPPING CONTRACTS

OPTIONS, COMPTON REMAINS HOPEFUL THAT THE GOP MAY EVENTUALLY ACCEPT SOME CONTINUING FORM OF INDIRECT RELATIONSHIP TO MARCONA.

3. COMPTON TOLD EMBOFF THAT DE LA PUENTE IS COMPLETELY UNTRUSTWORTHY AND ONE WHO, CONTRARY TO USG TEAM'S VIEWS, HAS BEEN A WILLING PARTNER IN A CAREFULLY ORCHESTRATED EFFORT TO DECEIVE USG TEAM INTO BELIEVING THAT THE COMMISSION IS "REASONABLE" WHEREAS THE POLITICAL LEVEL MINISTERS ARE THE HARD-LINERS. COMPTON SAID THAT, IN HIS OPINION, THE COMMISSION NEGOTIATIONS WERE IN ESSENCE A SET-UP TO LEAD US TO THIS ERRONEOUS CONCLUSION.

4. COMPTON REITERATED MARCONA VIEW THAT GOP IS IN DESPERATE ECONOMIC SITUATION AND FULLY AWARE OF ECONOMIC CONSEQUENCES TO THEM OF FAILURE TO REACH A SETTLEMENT. THUS TIME HAS ARRIVED FOR A BIG STICK APPROACH FROM THE USG INCLUDING THE DIRECT THREAT AND/OR APPLICATION OF SANCTIONS WHICH HE MAINTAINED WOULD IMMEDIATELY BRING THE GOP AROUND. COMPTON SAID HE WOULD PRESENT HIS VIEWS TO MARCONA MANAGEMENT TODAY (MONDAY) SUGGESTING TO THEM THE POSSIBILITY OF AN ANTI-PERUVIAN PRESS CAMPAIGN, AND "VERY STRONG PRESSURES" IN WASHINGTON TO STIFFEN USG POSITION.

5. COMPTON ADDED THAT APPLICATION OF SANCTIONS WOULD CAUSE U.S. BANKING COMMUNITY TO REFRAIN FROM EXTENDING NEW CREDIT WHICH WOULD BE ADDITIONAL PRESSURE POINT ON MORALES BERMUDEZ TO SETTLE QUICKLY AND AT A FIGURE CLOSE TO MARCONA'S "MINIMUM."

6. EMBOFF, WHO KNOWS COMPTON WELL AND HAS WORKED CLOSELY AND CORDIALLY WITH HIM IN THE PAST, EXPRESSED BOTH SURPRISE AND CHAGRIN AT HIS VIEWS. EMBOFF SAID THAT USG TEAM HAD DONE SUPERB JOB OF ATTEMPTING TO RECONCILE DIFFERENCES AND THAT WHILE COMPANY'S INTERESTS ARE OBVIOUSLY AN IMPORTANT ELEMENT IN ANY SOLUTION THEY ARE NOT NECESSARILY IDENTICAL WITH USG INTERESTS. HE TOLD COMPTON THAT BOTH THE COMPANY AND THE USG MUST WORK IN TANDEM TO REACH A SATISFACTORY SOLUTION AND THAT ANY RASH ACTION ON THE PART OF THE COMPANY WOULD MERELY COMPLICATE AN ALREADY DELICATE SITUATION.

7. COMMENT COMPTON WAS TIRED, DISAPPOINTED AND SEEMED TO BE GIVING EMBOFF HIS UNVARNISHED IMPRESSIONS. HE BEGAN BY STATING THAT HE WAS SPEAKING ONLY ON PERSONAL BASIS TO EMBOFF BUT QUICKLY  
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REALIZED THAT EMBOFF WOULD BE REQUIRED TO PASS COMPTON'S VIEWS TO ME. COMPTON THEN TOLD EMBOFF TO SO INFORM ME, AND APOLOGIZED FOR MAKING EMBASSY'S JOB EVEN MORE DIFFICULT. COMPTON MAY HAVE JUMPED THE GUN IN HAVING LET US KNOW: 1) THE EXTENT OF THE BREACH BETWEEN OUR VIEWS AND THOSE OF MARCONA; AND 2) STEPS THE COMPANY MAY BE CONTEMPLATING WHICH WOULD COMPLICATE THE CHANCES OF A SETTLEMENT, ON THE ONE HAND, AND, ON THE OTHER, TO BRING PRESSURE TO BEAR ON YOU AND YOUR SUPERIORS THROUGH A LOBBYING

EFFORT TO CHANGE THE BASIC NATURE OF THE NEGOTIATIONS. IN ADDITION, OF COURSE, OUR OWN RELATIONSHIP WITH COMPTON AND HIS COLLEAGUES WILL BE NONE THE EASIER FOR THIS DEVELOPMENT.

8. COMPTON, IN RESPONSE TO A QUESTION, DID NOT CLAIM TO SPEAK FOR MARCONA MANAGEMENT, BUT DID SAY HE WOULD MAKE HIS VIEWS KNOWN AS FORCEFULLY AS POSSIBLE. HE SAID MARCONA MANAGEMENT WOULD BE CONSIDERING COURSES OF ACTION ON MONDAY AND TUESDAY AND PROBABLY REACH A DECISION ON THEIR NEXT MOVES BY MID-WEEK AT THE LATEST.

9. IT SEEMS APPARENT THAT MARCONA IS BASING ITS ASSUMPTIONS ON FACT THAT IT BELIEVES IT HAS A GOOD INSIDE SOURCE WITHIN GOP WHO IS INFORMING IT OF "TRUE STATE OF PLAY" AND THAT THEREFORE GOP IS MUCH MORE FLEXIBLE ON FIGURES (AND EVEN ON WILLINGNESS TO WORK OUT LONG-RANGE SALES ARRANGEMENTS WITH COMPANY) THAN WE BELIEVE. IT IS NOT CLEAR THAT COMPTON'S VIEWS WILL CARRY THE DAY, BUT THE VEHEMENCE WITH WHICH HE EXPRESSED THEM INDICATES THAT MARCONA MAY BE LOADED FOR BEAR.

10. HOPEFULLY, WE CAN DISSUADE MARCONA FROM UNDERTAKING RASH ACTIONS, SUCH AS AN ANTI-PERUVIAN PUBLICITY CAMPAIGN. THE LOBBYING EFFORT IS ANOTHER MATTER, AND I BELIEVE THAT WE CAN PROBABLY ANTICIPATE STRONG PRESSURES ON THIS ISSUE FROM THE COMPANY. FOR ALL CONCERNED, IT WOULD PROBABLY BE ADVISABLE TO MEET THESE ISSUES WITHOUT LETTING MARCONA MANAGEMENT KNOW THAT COMPTON IS THE SOURCE OF THE FOREGOING INFORMATION. I WILL BE IN WASHINGTON FOR COM CONFERENCE NEXT WEEK AND WILL DISCUSS THIS MATTER IN DETAIL WITH YOU AT THAT TIME.  
DEAN

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